

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

IN RE: ELONEX PHASE II	:	
POWER MANAGEMENT LITIGATION	:	
	:	C.A. Nos.: 01-082 GMS; 01-083 GMS
	:	01-084 GMS; 01-085 GMS
	:	01-086 GMS; 01-087 GMS
	:	01-088 GMS; 01-089 GMS
	:	01-090 GMS; 01-091 GMS
	:	01-092 GMS; 01-093 GMS
	:	01-095 GMS; 01-096 GMS
	:	01-097 GMS; 01-098 GMS
	:	01-099 GMS; 01-100 GMS
	:	01-101 GMS; 01-102 GMS
	:	01-103 GMS; 01-104 GMS

MEMORANDUM AND ORDER

I. INTRODUCTION

On February 13, 2001, the plaintiffs, Elonex I.P. Holdings, Ltd. and EIP Licensing, B.V. (collectively “Elonex”), filed this action against certain companies that manufacture and sell computer systems or computer monitors.¹ The complaint alleges infringement of U.S. Patent Numbers 5,389,952 (“the ‘952 patent”), 5,648,799 (“the ‘799 patent”), and 5,649,719 (“the ‘719 patent”). The lawsuit relates to technology that concerns power management in computer monitors.

Presently before the court are Compaq Computer Corp.’s (“Compaq”) and Compal Electronics, Inc.’s (“Compal”) motions for summary judgment. Compaq bases its motion on the issue of notice under 35 U.S.C. § 287(a) (“Section 287(a)"). Compal bases its motion on the issues of marking and notice under Section 287(a).

¹In December 1998, Elonex I.P. Holdings Ltd. and Elonex PLC filed a related lawsuit against another group of defendants on substantially the same grounds (“Elonex Phase I litigation”).

For the reasons discussed below, the court will grant Compal's motion in part and deny it in part. The court will deny Compaq's motion in its entirety.

II. STANDARD OF REVIEW

The court may grant summary judgment "if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(c); *see also Boyle v. County of Allegheny, Pennsylvania*, 139 F.3d 386, 392 (3d Cir. 1998). Thus, the court may grant summary judgment only if the moving party shows that there are no genuine issues of material fact that would permit a reasonable jury to find for the non-moving party. *See Boyle*, 139 F.3d at 392. A fact is material if it might affect the outcome of the suit. *Id.* (citing *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247-248 (1986)). An issue is genuine if a reasonable jury could possibly find in favor of the non-moving party with regard to that issue. *Id.* In deciding the motion, the court must construe all facts and inferences in the light most favorable to the non-moving party. *Id.*; *see also Assaf v. Fields*, 178 F.3d 170, 173-174 (3d Cir. 1999).

With these standards in mind, the court will briefly describe the facts and procedural history that led to the motions presently before the court.

III. BACKGROUND

The patents-in-suit are a family of related patents directed to the field of power management in computer monitors and systems. The first of the patents-in-suit, the '952 patent, was issued on February 14, 1995. The '799 patent was issued on July 15, 1997. Finally, on March 9, 1999, the '719 patent was issued. Elonex I.P. Holdings, Ltd. ("EIPH") is the assignee of the '952, '799 and '719 patents. Elonex

PLC (“PLC”) is an affiliate of EIPH and the parent of EIP Licensing. The holding/parent company, EIPH, contends that its affiliate, PLC, was EIPH’s exclusive licensee with respect to these patents during the time period in question. PLC’s exclusive licensee rights terminated on October 15, 1999.

By virtue of its license, PLC had the exclusive right to license and sub-license throughout all parts of the world, and to make, sell and have made all goods protected by the patents. PLC also had the right to prosecute and settle any claims on behalf of itself or EIPH. On May 13, 1996, PLC granted the first license under the patents-in-suit to Hewlett-Packard Company (“Hewlett-Packard”). On April 1, 1998, PLC licensed Hitachi, Ltd (“Hitachi”).

Elonex alleges that PLC first notified Compal of infringement by a letter dated October 11, 1999. Elonex further alleges that PLC charged Compal with infringement at an in-person meeting in Taiwan on October 26, 1999. At a second licensing negotiation meeting on March 30, 2000, PLC reiterated the infringement charge and specifically identified particular Compal monitors that it believed infringed the patents in suit.

On May 5, 1995, Compaq received a letter from Elonex Technologies, Inc., which announced an “industry-wide patent licensing program.” Between July 18, 1995 and November 16, 1995, Elonex Technologies wrote three additional letters to Compaq’s in-house counsel. On April 27, 1999, PLC itself wrote to Compaq concerning the Elonex licensing program.

On February 13, 2001, Elonex brought an infringement suit against Compaq, Compal, and numerous other defendants who had not taken part in the Elonex Phase I litigation.

IV. DISCUSSION

A. Marking

Compal asserts that Elonex failed to mark its products and, absent actual notice, is therefore barred from collecting pre-suit damages. Section 287(a) limits a patentee's ability to recover if the patentee or "persons making, offering for sale, or selling within the United States any patented article for or under [the patentee]" failed to mark the patented article. 35 U.S.C. § 287(a). If a patentee or someone acting "for or under" it does fail to so mark, Section 287(a) allows the patentee to recover "on proof that the infringer was notified of the infringement and continued to infringe thereafter." *Id.* In that event, damages may be recovered only after such notice. *See id.* The plaintiffs bear the burden of proving their compliance with Section 287(a) before they may collect pre-suit damages. *See Nike, Inc. v. Wal-Mart Stores, Inc. et al.*, 138 F.3d 1437, 1446 (Fed. Cir. 1998).

PLC did not begin to license its products until May 13, 1996. It thus contends that, prior to that time, it had no licensees in the United States, nor did it directly sell its products in the United States. As it had no products to mark, the provisions of Section 287(a) cannot apply to bar pre-suit damages. In response, Compal argues that allowing such a "carve-out" of time is in direct contravention to Section 287(a)'s statutory language. Compal's reasoning for its position, however, assumes that there is in fact a product to mark. *See, e.g.*, Compal's Reply Brief at 9 (stating that "with [Elonex's position], the public could not rely on the lack of marking on an article for sale as an indication that the design is free to use."); Compal's Reply Brief at 11 (arguing that "[b]y barring the collection of *any* damages prior to providing actual notice of the infringement, Section 287 gives a strong incentive to patentees to mark their products.")

Compal also imagines a situation where a patentee sells an unmarked product for two years, and

then stops selling the product for four years. In such a situation, Compal argues that a defendant who was deceived by the unmarked products would be subject to four years of damages for the period when the patentee was under no duty to mark. The court need not address this situation, however, as there is no indication that Elonex sold unmarked products for any length of time, then stopped, and is now claiming that Compal should be liable for the period of time during which it stopped selling the unmarked products.

The court concludes that, if the patentee or its licensee neither sells, nor manufactures, the patented product, Section 287(a)'s notice provisions do not apply. *See Refac Electronics v. A&B Beacon Business Machines*, 695 F. Supp. 753, 755 (S.D.N.Y. 1988) (citing *Wine Railway Appliance Co. v. Enterprise Railway Equipment Co.*, 297 U.S. 387 (1936)). Indeed, "a patentee with an unutilized patent may do nothing before bringing a suit to collect damages for infringement, while one producing or selling the goods is under an obligation to provide notice before exercising patent rights." *Id.* However, on the present facts, the record is unclear as to when, or if, Elonex and its licensees began selling the patented products in the United States prior to May 13, 1996. If Elonex had an unutilized patent during that time period, it had no duty to mark or provide actual notice. For the present purposes, however, whether Elonex and its licensees actually sold or manufactured patented products prior to that time remains a genuine issue of material fact. Accordingly, the court will deny Compal's motion for summary judgment with regard to the pre-May 13, 1996 period.

Compal next contends that Elonex failed to mark its products after May 13, 1996. The court agrees. It is undisputed that several companies selling computer monitors in the United States have taken licenses under the patents-in-suit. Hewlett-Packard became licensed on May 13, 1996. Hitachi became

licensed on April 1, 1998. Further, as Elonex admitted in its October 20, 2000 response to interrogatory number 15, “[p]laintiffs are unaware of any licensee of the patents-in-suit having marked any of its products with the numbers of the patents-in-suit.” It further declared in the Elonex Phase I litigation revised Joint Pretrial Order that “[p]laintiffs do not claim that Hewlett-Packard or plaintiffs’ other licensees have ever marked products sold in the United States with the numbers of the [p]atents-in-suit. Rather, plaintiffs claim they provided notice of infringement to the defendants.”²

Elonex now argues that Compal has failed to prove that Elonex or its licensees actually sold patented products in the United States prior to the initiation of this lawsuit. This argument must fail. Elonex itself stated in its February 22, 2001 Joint Proposed Pretrial Order that “Hewlett-Packard’s products were the first subject to the marking or notice requirements of 35 U.S.C. § 287(a).” Furthermore, in an October 12, 2001 letter to the court, Elonex stated that, “no notice requirement existed in this case from February 1995 (when the ‘952 patent issued) to May 1996 (when plaintiffs first licensed the technology to Hewlett-Packard Co.)” In light of these admissions, the court concludes that there is no genuine issue of material fact that Elonex’s duty to provide notice arose at least as early as May 13, 1996.

Moreover, Compal has provided a declaration from Benoit Montfort, Hewlett-Packard’s Quality Control Manager, that “Hewlett-Packard has been selling computer monitors in the United States since May 1996 . . . that employ the VESA DPMS standard.” Further, by a letter dated October 11, 1999, Elonex itself informed Hewlett-Packard that monitors employing the VESA DPMS standard infringe its patent. Accordingly, Elonex cannot now set forth a series of “possibilities” that Hewlett-Packard did not

²Although the Proposed Pre-Trial Order concerns the Elonex Phase I litigation, this admission is directly applicable to the related Elonex Phase II litigation.

sell products which would have triggered its Section 287(a) duties. Absent concrete evidence, Elonex's argument will not preclude summary judgment. *See Loral Fairchild Corp. v. Victor Co. of Japan Ltd.*, 906 F. Supp. 813, 818 (E.D.N.Y. 1995) (holding that "[plaintiff] cannot create a genuine issue of fact as to whether these licensed [products] are covered by the [patent-in-suit] simply by arguing the possibility of such a result.")

For the foregoing reasons, absent having provided actual notice as discussed below, Elonex is not entitled to damages from the period of May 13, 1996 to February 13, 2001, the date on which Elonex filed suit.

B. Actual Notice

Compaq joins Compal in contending that PLC was not competent to provide actual notice of infringement in compliance with Section 287(a) because it was not the patent owner. In response, Elonex argues that PLC was an exclusive licensee and, therefore, the equivalent of the patent owner.

It is undisputed that PLC was the exclusive licensee of the patents-in-suit from August 1, 1997 to October 15, 1999.³ The court must now determine whether PLC's exclusive licensee status is such that it would be considered the patentee, or successor in title to the patentee, for purposes of providing Section 287(a) notice. The Federal Circuit has concluded that the definition of "patentee" or "successor in title to the patentee" under 35 U.S.C. § 100(d) ("Section 100(d)") includes parties to whom all substantial rights under the patent have been transferred in the form of an exclusive license. *See Enzo APA & Son v. Geapag A.G.*, 134 F.3d 1090, 1093 (Fed. Cir. 1998); *see also Speedplay Inc., v. Bebo, Inc.*, 211

³This was not PLC and Elonex I.P.'s first exclusive licensing agreement. Specifically, PLC had previously entered into an exclusive licensing agreement with EIPH in 1995.

F.3d 1245, 1250 (Fed. Cir. 2000) (holding that “[a] party that has been granted all substantial rights under the patent is considered the owner regardless of how the parties characterize the transaction that conveyed those rights.”) Conversely, “[a]ny less than a complete transfer of these rights is merely a license, in which case the title remains with the owner of the patent” *Enzo*, 134 F.3d at 1093. The court recognizes that cases so construing Section 100(d) have dealt with the issue of whether the party has standing to bring suit in its own name. However, the court is persuaded that the terms “patentee” or “successor in title to the patentee” set forth in Section 100(d) cannot be construed differently for purposes of conferring standing rights and notice rights on parties. A party that has standing to bring suit in its own name must necessarily be capable of giving actual notice of infringement.

Having concluded that certain exclusive licensees may provide actual notice, the court must now determine if PLC qualifies for this treatment. PLC entered into an agreement to become EIPH’s exclusive licensee on August 1, 1997. Under that agreement, PLC enjoyed substantial rights as EIPH’s exclusive licensee. PLC had the world-wide right to “exploit and use in all ways” the patents. Specifically, this right included “the right to make, sell, and have made goods protected by the patents,” and the right to grant sub-licenses in PLC’s discretion. There were two minor restrictions placed on PLC’s right to grant the sub-licenses. First, such a grant must have occurred at arms length, and second, it must have been for lump-sum and/or periodic royalties. PLC agreed to pay EIPH 80% if the royalties resulting from the use of existing patents. The agreement further granted PLC the right to “prosecute or settle” any proceedings on its own behalf, or on behalf of EIPH. EIPH retained the ability to assign ownership rights of its patents, expressly subject to PLC’s rights under the agreement.

Based on this information, the court concludes that EIPH assigned substantially all the rights in the

patents-in-issue. There were no substantial restrictions on PLC's use of the patents, in any manner, or in any geographic location. Moreover, PLC had the right to sub-license at its discretion. *See Prima Tech II L.L.C. v. A-Roo Co.*, 222 F.3d 1372, 1380 (Fed. Cir. 2000) (noting that "[a] licensee's right to sub-license is an important consideration . . .") Finally, it had the right to prosecute and settle suits on behalf of itself or EIPH.⁴ *See Vaupel Textilmachinene KG v. Meccanica Euro Italia S.P.S.*, 944 F.2d 870, 875 (Fed. Cir. 1991) (noting the importance of the right to sue.)

Compal admits to receiving a letter from PLC dated October 11, 1999. PLC was EIPH's exclusive licensee until October 15, 1999. PLC was thus competent to provide actual notice of infringement to Compal at that time. Compal argues, however, that the October 11, 1999 notice lacked sufficient specificity and was thus inadequate. The court declines to address this issue because the issue presented in the motion presently before the court relates squarely to whether PLC was a proper party to give actual notice of infringement. The court has simply found that PLC could have given notice as of the October 11, 1999 letter.⁵ In accordance with its November 19, 2001 order, the court thus expresses no opinion on the adequacy of any notice.

Compaq likewise admits to receiving communications from PLC. The earliest such communication

⁴Compaq makes much of the fact that, because the agreement does not explicitly give PLC the right to "initiate" lawsuits, PLC's rights under the agreement were restricted. The agreement does, however, explicitly grant PLC the right to "prosecute" lawsuits. Black's Law Dictionary explains "prosecute" by stating that, "[t]o prosecute an action is not merely to commence it, but includes following it to an ultimate conclusions." *See BLACK'S LAW DICTIONARY* 1221 (6th ed. 1990). Accordingly, the court finds Compaq's distinction meritless.

⁵The court recognizes, however, that if the October 11, 1999 letter is deemed inadequate notice, the subsequent communications from PLC cannot be considered actual notice because PLC was no longer EIPH's exclusive licensee.

is a letter dated April 27, 1999. As set forth more clearly above in relation to Compal's argument, PLC, as the exclusive licensee, was competent to give notice of infringement on April 27, 1999. Accordingly, at the latest, a proper party gave notice to Compaq in April 1999.⁶

With regard to Compaq, Elonex further argues that Elonex Technologies, another "exclusive licensee," gave Compaq actual notice as early as May 5, 1995. The court must thus decide if Elonex Technologies was, in fact, a party capable of giving actual notice.

On April 3, 1995, PLC and EIPH entered into their first exclusive licensing agreement with regard to the '952 patent. Pursuant to its powers under that agreement, PLC sub-licensed its rights in this patent to Elonex Technologies in April 1995. Elonex maintains that Elonex Technologies "stepped in the shoes" of PLC, and thus, had the same rights and ability to give actual notice that PLC enjoyed.

While it is true that a license may be written, verbal, or implied, if the license is to be considered a virtual assignment for the purpose of conveying notice under Section 287, it must be in writing. *See Enzo*, 134 F.3d at 1093 (noting this principle in the context of when an exclusive licensee becomes the effective owner of the patent for purposes of standing.) Thus, logically, the licensing arrangement must resemble an actual assignment in both form and substance. *See id.* Under 35 U.S.C. § 261, "applications for patent, patents or any interest therein, shall be assignable in law by an instrument in writing." With this principle in mind, the court concludes that it is unable to determine the actual extent of the agreement between PLC and Elonex Technologies. The parties have not provided contemporaneous written documentation of the relationship between PLC and Elonex Technologies, and indeed, it is possible that none exists.

⁶The court again expresses no opinion on the adequacy of the April 27, 1999 notice.

Accordingly, there remains a genuine issue of material fact on this point, and the court declines to decide whether Elonex Technologies was competent to provide actual notice.

V. CONCLUSION

It is undisputed that Elonex or its licensees failed to mark products from May 13, 1996 to February 13, 2001. However, a company competent to give actual notice notified Compal of its alleged infringement on October 11, 1999. The court will thus grant Compal's motion for summary judgment with regard to the period between May 13, 1996 to October 11, 1999 only. The court will deny Compaq's motion for summary judgment in its entirety because it concludes that Compaq received notice from a competent party in April 1999. As it is unclear whether Compaq had notice from a competent party as early as 1995, there remains a genuine issue of material fact with regard to any time period prior to April 1999.

For the foregoing reasons, IT IS HEREBY ORDERED that:

1. Compal's motion for summary judgment (D.I. 320) is GRANTED in part and DENIED in part;
2. Compaq's motion for summary judgment (D.I. 323) is DENIED; and
3. Elonex's letter requesting that portions of Compal's brief be stricken, or for leave to file a sur-reply, (D.I. 387) is declared MOOT.

Date: February 20, 2002

Gregory M. Sleet
UNITED STATES DISTRICT JUDGE